

# ***Blurred lines:*** How FinTech is shaping Financial Services

Executive Summary  
for the Netherlands



**64%**

*Thinks that 21 to 40%  
of FS business is at risk  
to FinTechs by 2020*

**43%**

*are unsure about or  
unlikely to respond to  
blockchain technology*



## *Key messages*

- 4 FinTech is shaping FS from the outside in*
- 5 Where traditional financial institutions have failed, FinTechs are succeeding*
- 6 Disintermediation: FinTech's most powerful weapon*
- 7 Time to get off the bench*
- 8 Blockchain: an untapped technology is rewriting the FS rulebook*
- 9 Heading for bargain basement FS? FinTech is slashing costs*
- 10 The free lunch is over: FS must leverage on the FinTech ecosystem*
- 11 Contacts*

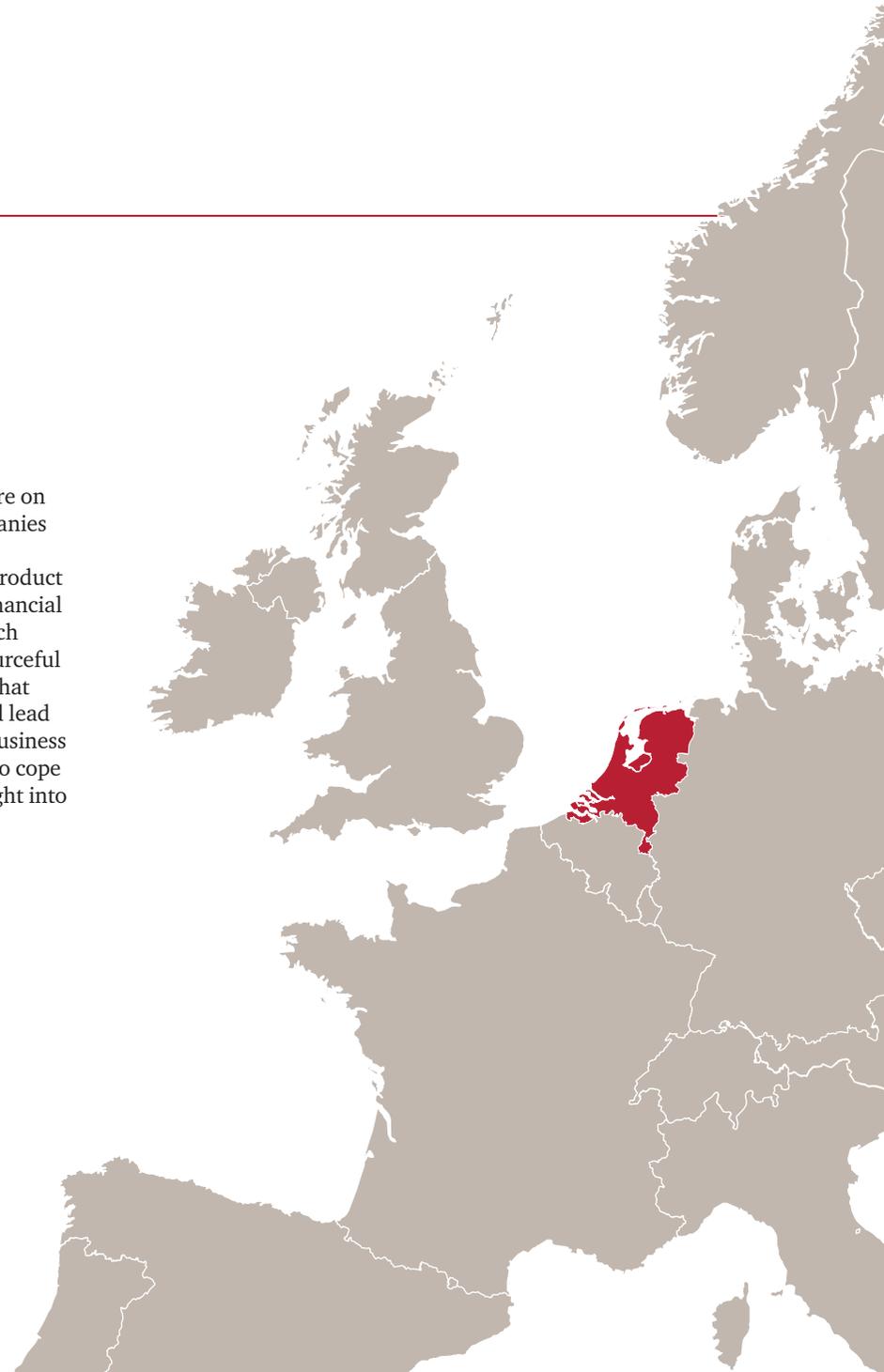


## *FinTech blossoms in the Netherlands*

FinTech is growing fast in the Netherlands, but is still small in scale compared to countries like Great Britain and the United States. For example, in Europe the Dutch share in FinTech funding amounts to 21%, whereas that of the UK and Ireland is 43% according to Holland Fintech. Nonetheless, judging from the number of and variety in FinTech companies in the Netherlands, there is certainly no lack of ideas or initiatives. The pool of FinTech enterprises in the Netherlands has become sufficiently large to create an annual top-50 of Dutch FinTech companies.

The Netherlands has gained attractiveness as a location for FinTech companies for various reasons. Infrastructure, international focus, presence of peers and language skills are prominent pull factors. Funding seems to be more of an issue for FinTech start-ups in the Netherlands, although proximity to and connections with London help to gain access to potential investors.

The advance of Dutch FinTech initiatives puts pressure on traditional financial service providers. FinTech companies are strongly focussed on those areas in which the incumbents tend to be weaker. Not only in terms of product and service offering, but also in those areas where financial institutions do not sufficiently innovate. Dutch FinTech companies know the local markets well and are resourceful in finding the competitive weak spots. The pressure that FinTech companies exert on financial institutions will lead to transformation. Incumbents need to adjust their business models to take advantage of new opportunities and to cope with challenges. The 2016 FinTech Survey gives insight into the status of this process.

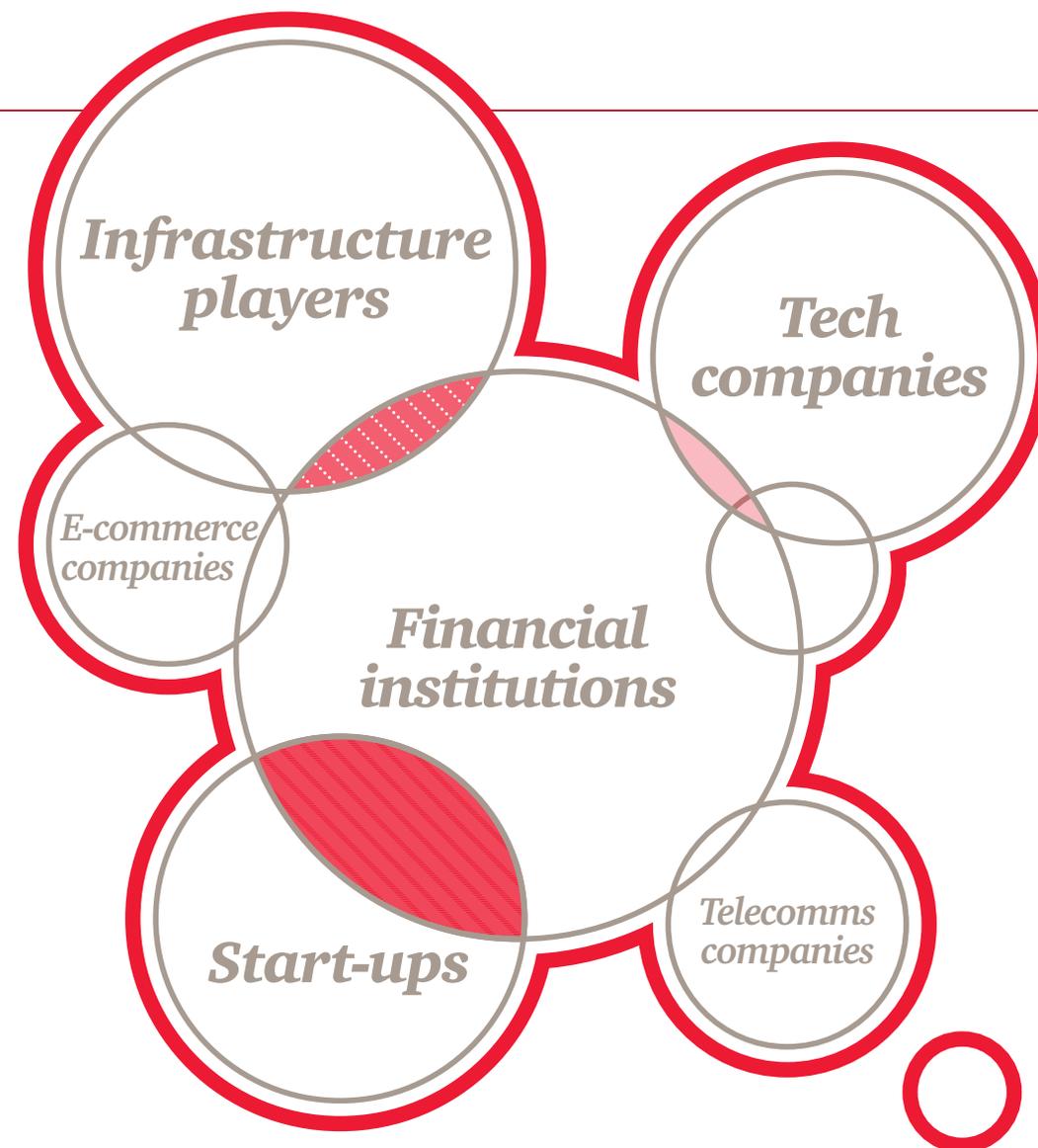


## *FinTech is shaping FS from the outside in*

FinTech is a digital arena where diverse players – traditional Financial Institutions (FIs), technology firms, e-commerce and telecommunications companies, start-ups and infrastructure operators – are contending with a common imperative: to respond effectively to the evolving needs of their customers.

From the CEO of a large global insurance company to the entrepreneur establishing a new robo-advice business, FinTech is reshaping the way we think about building, running and leading FIs. Although FinTech is a general term used to identify a considerable array of new financial products and services enabled by the use of technology, it also represents a vast digital territory where the lines between FS and non-FS providers are blurred.

### *Shaping the FS Industry*



## ***Where traditional financial institutions have failed, FinTechs are succeeding***

Customer behaviours are at the forefront of the FinTech revolution, as our survey demonstrates. While consumers are rapidly adopting new technologies in their day-to-day lives, traditional FS companies are lagging behind. Larger, more traditional FIs are encumbered with complex development processes, wariness about regulation and legacy systems. Meanwhile, FinTechs are using lean, agile methods of product development and innovation to respond to customers' emerging needs.

FinTech is a global phenomenon, challenging the orthodoxy of domestic models of banking and insurance, and reinventing the customer experience in the FS sector. Furthermore, FinTech is serving millions of previously under-served consumers with redefined and innovative solutions.

### ***Not very confident about customer centricity***

In the Netherlands the area where the impact of FinTech is foreseen to be largest, is in meeting customer needs with new offerings. Meeting customer needs can be seen as a serious vulnerability, as 55% of the Dutch respondents consider themselves to be only moderately customer centric. This contrasts with 58% of the global respondents stating to be very or fully customer centric. Dutch FinTech companies are very confident about their customer focus, as 67% sees itself as "fully customer centric". This makes sense, as FinTech companies are strongly focused on 'filling in the gaps' between consumer demand and traditional offerings.

***Digital is the new normal for customers***

# 67%

***believe that over the next five years...***



***...more than 60% of their clients will be using mobile applications (at least once a month) to access financial services***

Source: PwC Global FinTech Survey 2016, Dutch respondents.

## ***Disintermediation: FinTech's most powerful weapon***

FinTech is shifting the paradigm of traditional intermediary roles by making them obsolete. While FS organisations have acted as intermediaries in the financial system by providing an invaluable service to clients, their functions are being usurped by new technology-driven business models.

For instance, in the banking sector, online lending platforms allow individuals and businesses to lend and borrow between each other, and robo-advisors are rewriting the rulebook of financial decision-making by bypassing the human financial advisor. These changes pose a serious threat to traditional business models and many FS organisations will face a 'Kodak' moment if they do not respond.

### ***Consumer banking in the bull's eye***

There is little doubt among Dutch respondents what area in financial services will be most disrupted by financial technology in the coming five years, according to 89% this is consumer banking. Next on the FinTech 'hit list' are fund transfers & payments (59%) and SME banking (39%). What will be consequences? According to the Dutch survey participants the most likely impacts are a decline in market share, margin pressure and a loss of customers. Information or privacy security are also mentioned as a threat that FinTech poses. This could point to a lack of trust in the IT security capabilities of FinTech companies (recall that this was also one of the challenges mentioned in dealings with FinTech companies). Whether this concern is technical in nature or is related to regulatory oversight of FinTech companies remains something that needs further investigation.

***Will financial institutions  
be disrupted?***

***Yes  
63%***

***of survey participants believe that  
part of their business is at risk of being  
lost to stand-alone FinTech companies***

Source: PwC Global FinTech Survey 2016, Dutch respondents



## Time to get off the bench

### A strategic risk?

More than one third of the Dutch respondents does not have FinTech at the heart of their strategy. Does this indicate that incumbents consider FinTech to be an interesting investment that does not require a strategic response? Of the Dutch respondents, 23% does not see any of its business at risk to a FinTech company in the coming five years. This may explain some of the 'strategic complacency' among incumbents and potentially makes them more vulnerable to disruption. A larger share of Dutch participants in the survey does however see a threat from FinTech, as 32% foresee a midsize impact (i.e. 21% to 40% of business at risk) from FinTech on their activities. For some respondents the perceived impact from financial technology is sufficiently large to reconsider their corporate strategy.

21-40%  
of business  
at risk

32%

1-20%  
of business  
at risk

23%

## ***Blockchain: an untapped technology is rewriting the FS rulebook***

Blockchain shows huge potential and it will have a profound effect on the FS industry. However, it is being seriously underestimated. Knowledge of and ability to react to blockchain technology is worryingly low. While a majority of Dutch respondents (71%) recognise its importance, 43% say they are unsure about or unlikely to respond to this trend. Pro-active financial institutions are experimenting with distributed ledger technology in order to learn more about potential applications.

***Is the impact  
of blockchain  
technology taken  
into account?***

**71%**  
of survey respondents  
recognise its importance,  
but...

**43%**  
say they are unsure  
about or unlikely  
to respond to this  
trend

## Heading for bargain basement FS? FinTech is slashing costs

Other aspects of FinTech will also impact front- and back-office operations and disrupt the traditional product and process model used by most FIs.

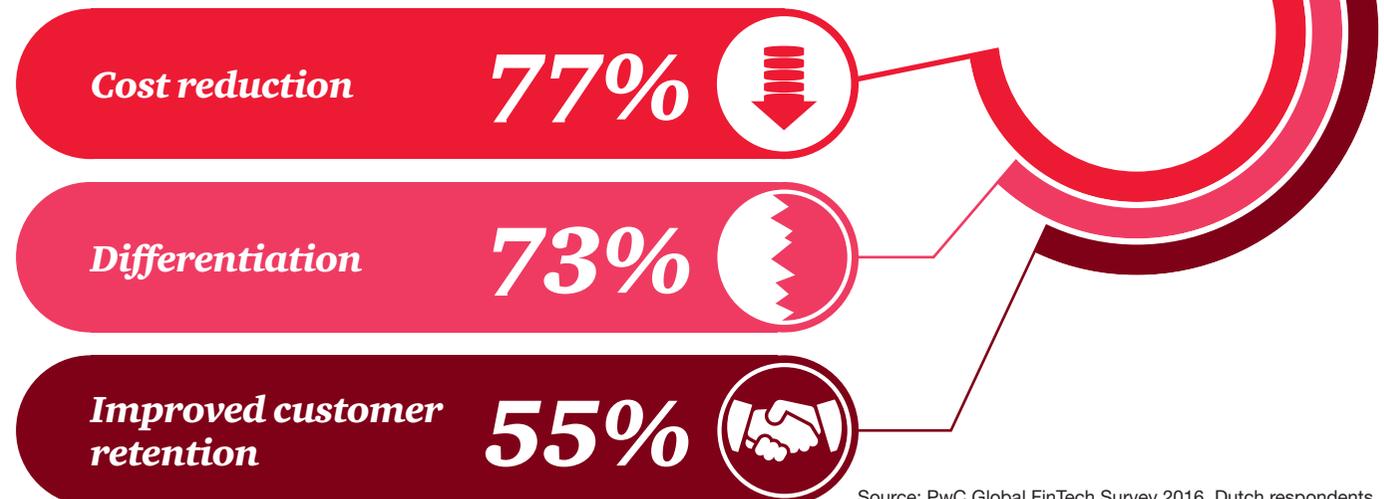
FinTech provides new alternatives to advise customers, to process transactions, to analyse data, to help customers make better choices, to manage product portfolios, to leverage mobile technology and so on. The net impact of all these changes is to enhance operational capabilities and dramatically reduce the cost base of the industry.

### **FinTech opportunities**

Financial technology does not need to bring doom and gloom. Incumbents also see opportunities in FinTech. Prominently mentioned by Dutch respondents are the possibility to reduce costs, differentiate business activities and to attain an improved retention of customers. Investments in, or the purchase of FinTech companies can also bring benefits in the form of know-how acquired and a share in profits. Financial institutions will need to incorporate or develop financial technology in order to remain competitive, and above all in business.

## FinTech is slashing costs and improving service delivery

Our survey respondents said that key opportunities existed in:



Source: PwC Global FinTech Survey 2016, Dutch respondents.

## The free lunch is over: FS must leverage the FinTech ecosystem

FinTech is already producing new and alternative business models. It is a fundamental challenge to regulators as well as traditional FIs. The model of FIs owning and controlling almost all parts of their value chain is coming to an end. These organisations will need to move toward the centre of the FinTech ecosystem by leveraging their trusted relationships with customers and their extensive access to client data.

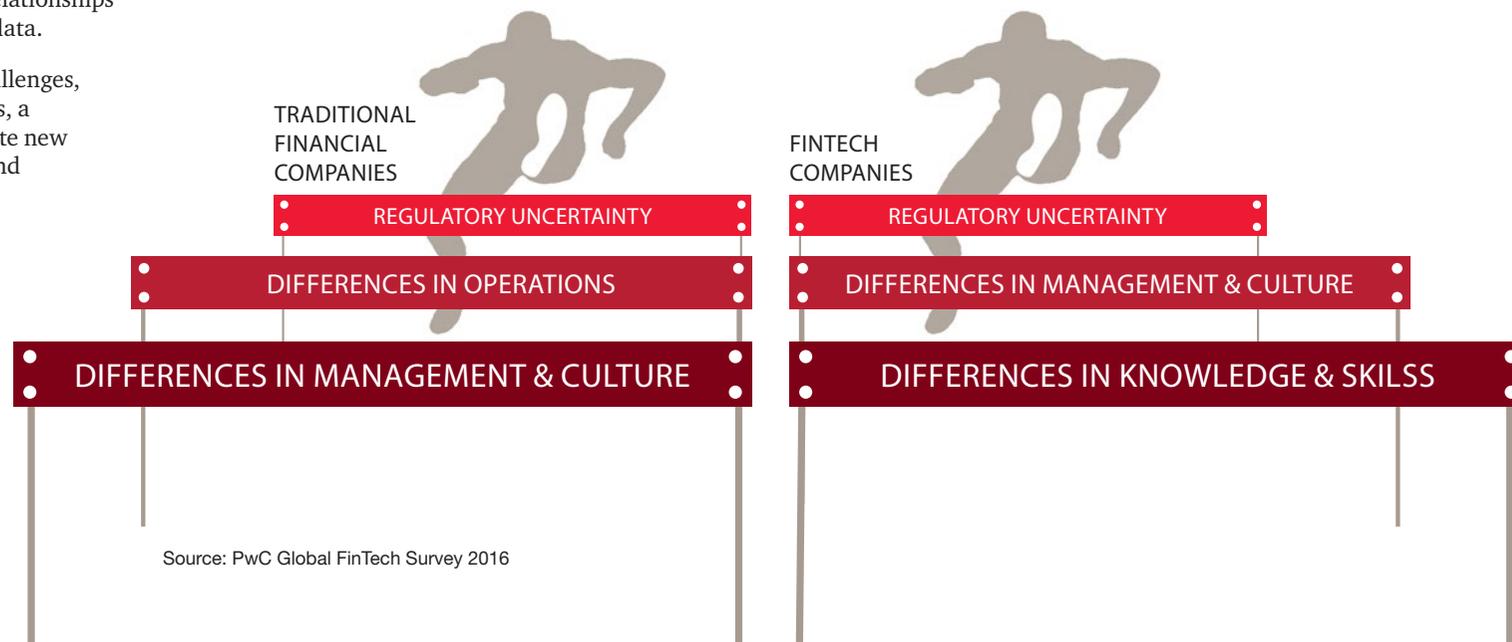
This will involve a shift that may present unique challenges, be it in a firm's culture that resists outside influences, a company's infrastructure which cannot accommodate new technologies, or forces from the outside, like laws and regulations which stymie progress.

### Hurdles in co-operation

The FinTech Survey shows that incumbent financial institutions in the Netherlands are familiar with several financial technology trends and pro-actively engage FinTech companies via investments and joint-ventures. Of the respondents, 26% are engaging in joint partnerships with FinTech companies and 18% set up venture funds to fund FinTech Companies. Only 3% does not deal at all with FinTech.

Effective co-operation between FinTech companies and traditional parties seems to be less dependent on technical challenges such as IT compatibility, and relies more on alignment of people and processes. The implications of regulatory oversight on FinTech need to be further investigated in order to properly address impediments to innovation and potential risks.

## Top 3 challenges for traditional financial companies and FinTech companies when working together



Source: PwC Global FinTech Survey 2016

---

## *Work ahead*

The FinTech Survey demonstrates that Dutch financial institutions are not ignorant about the threats that FinTech companies pose on their business models. They generally foresee the loss of at least a fifth of their business activities as a result of competition with FinTech companies. Nonetheless, not all incumbents have adjusted their strategies to face this threat. Given what is at stake, financial institutions should familiarize themselves more thoroughly with the FinTech challenges, and come up with strategic answers. In order to keep-up with the fast pace of change, this needs to be done sooner rather than later.

A better understanding of FinTech activities and business models will also facilitate contact or co-operation with the representatives of these companies. One of challenges that also needs to be addressed is regulation. A lack of clarity around rules that apply to the FinTech companies affect co-operation, trust, and in the end innovation that can provide benefits to consumers.

## Contacts



**Eugenie Krijnsen**  
Partner  
PwC The Netherlands



**Jan Willem Velthuijsen**  
Partner  
PwC The Netherlands

We would like to thank Dariush Yazdani, Gregory Weber and the PwC Global research team for their involvement in the development of this report. We would also like to thank Javier Baixas, Barry Benjamin, Jeremy Drane, Menekse Gencer, Roberto Hernandez, Simon Horner-Long, Andrew Jurczynski, Fergus Lemon, Sarah McEneaney, Stephen O'Hearn, Aaron Schwartz, Ajit Tripathi, Jamie Yoder, and Áine Bryn and the Global FS Marketing team for their contributions.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

For more information about the global Financial Services marketing programme, please contact Áine Bryn on +44 (0) 20 7212 8839 or [aine.bryn@uk.pwc.com](mailto:aine.bryn@uk.pwc.com).

[pwc.com/fintechreport](http://pwc.com/fintechreport)

© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.